

The Center for Hospitality Research

Hospitality Leadership Through Learning



Cornell Hospitality Report

It's More than Just a Game:

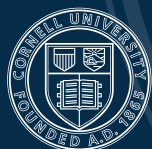
The Effect of Core and Supplementary Services on Customer Loyalty

by Matthew Walsman, Michael Dixon, Ph.D., Rob Rush, and Rohit Verma, Ph.D.

Vol. 14, No. 23
December 2014

All CHR reports are available for free download, but may not be reposted, reproduced, or distributed without the express permission of the publisher

SHA



Cornell University
School of Hotel Administration



Cornell Hospitality Report
Vol. 14, No. 23 (December 2014)
© 2014 Cornell University. This report may
not be reproduced or distributed without the
express permission of the publisher.

Cornell Hospitality Report is produced for the
benefit of the hospitality industry by The Center
for Hospitality Research at Cornell University.

Michael C. Sturman, Academic Director
Carol Zhe, Program Manager
Glenn Withiam, Executive Editor
Alfonso Gonzalez, Executive Director of
Marketing and Communications

Center for Hospitality Research
Cornell University
School of Hotel Administration
537 Statler Hall
Ithaca, NY 14853

607-255-9780
chr.cornell.edu

Advisory Board

Syed Mansoor Ahmad, Vice President, Global Business Head for Energy Management Services, Wipro EcoEnergy

Marco Benvenuti '05, Cofounder, Chief Analytics and Product Officer, Duetto

Scott Berman '84, Principal, Real Estate Business Advisory Services, Industry Leader, Hospitality & Leisure, PricewaterhouseCoopers

Raymond Bickson, Managing Director and Chief Executive Officer, Taj Group of Hotels, Resorts, and Palaces

Bhanu Chopra, Chief Executive Officer, RateGain

Benjamin J. "Patrick" Denihan, Chief Executive Officer, Denihan Hospitality Group

Chuck Floyd, Chief Operating Officer–North America, Hyatt

Gregg Gilman '85, Partner, Co-Chair, Employment Practices, Davis & Gilbert LLP

David Goldstone, Senior Vice President, Global Strategic Relationships, SONIFI Solutions, Inc.

Susan Helstab, EVP Corporate Marketing, Four Seasons Hotels and Resorts

Steve Hood, Senior Vice President of Research, STR

Kevin J. Jacobs '94, Executive Vice President & Chief Financial Officer, Hilton Worldwide

Kirk Kinsell MPS '80, President, The Americas, InterContinental Hotels Group

Kelly A. McGuire, MMH '01, PhD '07, VP of Advanced Analytics R&D, SAS Institute

Gerald Lawless, Executive Chairman, Jumeirah Group

Josh Lesnick, Chief Marketing Officer, Wyndham Hotel Group

Mark V. Lomanno

Bharet Malhotra, Senior VP, Sales, CVENT

David Meltzer MMH '96, Chief Commercial Officer, Sabre Hospitality Solutions

Mary Murphy-Hoye, Senior Principal Engineer (Intel's Intelligent Systems Group), Solution Architect (Retail Solutions Division), Intel Corporation

Brian Payea, Head of Industry Relations, TripAdvisor

Kimberly Rath, Founder and Chairman, Talent Plus, Inc.

Umar Riaz, Managing Director – Hospitality, North American Lead, Accenture

Carolyn D. Richmond '91, Partner, Hospitality Practice, Fox Rothschild LLP

David Roberts '87 (MS '88), Senior Vice President, Consumer Insight and Revenue Strategy, Marriott International, Inc.

Michele Sarkisian, President, P3 Advisors

S. Sukanya, Vice President and Global Head Travel, Transportation and Hospitality Unit, Tata Consultancy Services

Berry Van Weelden, Director, Reporting and Analysis, priceline.com's hotel group

Adam Weissenberg '85, Vice Chairman, US Travel, Hospitality, and Leisure Leader, Deloitte & Touche USA LLP

Rick Werber '82, Senior Vice President, Engineering and Sustainability, Development, Design, and Construction, Host Hotels & Resorts, Inc.

Jon Wright, President and Chief Executive Officer, Access Point

The Center for Hospitality Research

Hospitality Leadership Through Learning

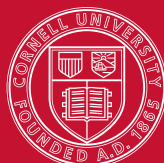
Thank you to our generous Corporate Members

Partners

Accenture
Access Point
CVENT
Davis & Gilbert LLP
Deloitte & Touche USA LLP
Denihan Hospitality Group
Duetto
Four Seasons Hotels and Resorts
Fox Rothschild LLP
Hilton Worldwide
Host Hotels & Resorts, Inc.
Hyatt Hotels Corporation
Intel Corporation
InterContinental Hotels Group
Jumeirah Group
Marriott International, Inc.
priceline.com
PricewaterhouseCoopers
RateGain
Sabre Hospitality Solutions
SAS
SONIFI Solutions, Inc.
STR
Taj Hotels Resorts and Palaces
Talent Plus
Tata Consultancy Services
TripAdvisor
Wipro EcoEnergy
Wyndham Hotel Group

Friends

Cleverdis • DK Shifflet & Associates • EyeForTravel • Hospitality Technology Magazine • HSYndicate • iPerceptions
• J.D. Power • Lodging Hospitality • Milestone Internet Marketing • MindFolio • Mindshare Technologies • PKF
Hospitality Research • Questex Hospitality Group



Cornell University
School of Hotel Administration

It's More than Just a Game:

The Effect of Core and Supplementary Services on Customer Loyalty

by Matthew Walsman, Michael Dixon, Rob Rush,
and Rohit Verma

EXECUTIVE SUMMARY

All service providers seek to provide a comprehensive experience for their customers, with the goal of cementing customer loyalty and encouraging future purchases. In most services, we can identify core aspects (e.g., a good night's sleep at a hotel) and supplementary aspects (e.g., concierge and valet services). For professional sports, the core service is the sporting contest itself, but many other supplementary services may also be included. We use a comprehensive dataset of over 7,000 patrons of a major professional sport in the United States to determine how customers' satisfaction with core and supplementary services influence their intent to repeat a ticket purchase. We find that satisfaction with both core and supplementary services are important for loyal customers, but first-time customers tend to focus only on core service satisfaction when considering whether to purchase another ticket. One implication of this study is that firms should focus on their customers' full experience. Firms must first focus on their core services and then augment them appropriately with supplementary services.

ABOUT THE AUTHORS



Matthew C. Walsman is a doctoral candidate in service operations management at the Cornell University School of Hotel Administration (mcw237@cornell.edu). His research interests include empirical research and behavioral operations management in the context of professional services. Prior to coming to Cornell he received an MBA from Brigham Young University. He worked 4 years in New York City as a consultant in the commercial construction industry where he advised clients on LEED certification and construction disputes, as well as performing scheduling, estimating, and project management services. He has studied membership-based loyalty programs, constrained service capacity allocation, and the implications of LEED certification in the hotel industry. Since 2008 he has been a LEED Accredited Professional.

Michael Dixon, Ph.D., is an assistant professor of operations management at the Graduate School of Business and Public Policy at the Naval Postgraduate School. Among his research interests are service operations management, service and experience design, sequence effects, and event planning and scheduling. His paper “Sequence Effects in Service Bundles: Implications for Service Design and Scheduling,” which was based on his dissertation, was awarded as best paper in the *Journal of Operations Management* for 2014. His work experience extends to being a risk manager and service engineering analyst for American Express and the manager of food-service firms.



Rob Rush is President and CEO of LRA Worldwide, the leading global provider of Customer Experience Measurement services for multinational companies with complex customer interactions. In his 30-plus years at the helm of LRA, Mr. Rush has managed the consistent and continued growth of the business to its current position as the global leader in the field of customer experience measurement. LRA's innovative brand standards audits, quality assurance inspections, mystery shopping programs, research, and consulting services have helped ensure clients deliver consistent, memorable, and differentiated experiences to their customers. Many of the world's preeminent global hospitality brands, as well as companies in the gaming, dining, healthcare, sports and entertainment, real estate, retail, and travel industries choose LRA to help them measure and improve the customer experience. A graduate of the Cornell School of Hotel Administration, Mr. Rush is highly involved with his alma mater. He serves as a mentor within SHA's Pillsbury Institute for Hospitality Entrepreneurship and as a friend of the Center for Hospitality Research.

Rohit Verma, Ph.D., is a professor of service operations management at the Cornell School of Hotel Administration (rv54@cornell.edu). He served as the executive director of the Cornell Center for Hospitality Research during 2009–2012 and is currently the coordinator of MBA–MMH dual degree programs. Prior to joining the Cornell faculty, he was the George Eccles Professor of Management, David Eccles School of Business (DESB) at the University of Utah. He has also taught MBA and executive development classes at several universities around the world, including DePaul University, German Graduate School of Business and Law, Helsinki School of Economics, Indian School of Business, Norwegian School of Logistics, Nyenrode University, and University of Sydney. Verma has published over 50 articles in prestigious journals and serves on the editorial review boards of *Production and Operations Management*, *Cornell Hospitality Quarterly*, and *Journal of Service Research*. He has co-edited special issues of *Cornell Hospitality Quarterly*, *Decision Sciences*, *Journal of Operations Management*, and *Journal of Service Management*. He is the co-author of *Operations and Supply Chain Management for the 21st Century*, and co-editor of *Cornell School of Hotel Administration on Hospitality: Cutting Edge Thinking and Practice*.



The authors would like to thank LRA Worldwide for generously sharing the disguised customer datasets provided that was the basis of this report. The authors are also thankful to the Cornell Center for Hospitality Research for their financial support; to Glenn Withiam for providing extensive editorial support; and to Mike McCall, Editor of *CHR Reports*, and reviewers for providing feedback for improving the earlier drafts of the report.

It's More than Just a Game:

The Effect of Core and Supplementary Services on Customer Loyalty

by Matthew Walsman, Michael Dixon, Rob Rush, and Rohit Verma

The concept of focusing on the overall customer experience, rather than just individual transactions, has become an important aspect of hospitality operations and those of other service-related industries. The essence of this approach is to put the customer experience at the center of the service offering, which means that firms must pay careful attention both to their core service and the related supplemental services that make up the entire service package.¹ Some observers have gone as far as to say that business is a theatre and that service providers should think in terms of staging their encounters with customers.² One service-related business that has long understood this is professional sports, which includes numerous supplemental services in addition to its core product of a sporting event or contest. Event organizers stage a bundle of service encounters. If choreographed appropriately, those encounters create a memorable package for customers.

¹ Chris Voss, Aleda V. Roth, and Richard B. Chase, "Experience, Service Operations Strategy, and Services as Destinations: Foundations and Exploratory Investigation," *Production and Operations Management*, Vol. 17, No. 3 (2008), pp. 247–266. See also: C.K. Prahalad and V. Ramaswamy, *The Future of Competition: Co-Creating Unique Value with Customers* (Boston: Harvard Business School Press, 2004); and M.E. Pullman and M. A. Gross, "Ability of experience design elements to elicit emotions and loyalty behaviors," *Decision Science*, Vol. 35, No. 3 (2004), pp. 531–576.

² For an early discussion of this concept, see: David Romm, "'Restaurateur' Theater: Giving Direction to Service," *Cornell H.R.A. Quarterly*, Vol. 29 (No. 4), pp. 30–39. Also see: B. Joseph Pine and James H Gilmore, "The Experience Economy," *Harvard Business Review*, Vol. 76, No. 6 (1998); and Peter C. Verhoef, Katherine N. Lemon, A. Parasuraman, Anne Roggeveen, Michael Tsiros, and Leonard A. Schlesinger, "Customer Experience Creation: Determinants, Dynamics and Management Strategies," *Journal of Retailing*, Vol. 85, No. 1 (2009), pp. 31–41.

The core service—a sporting contest, a concert, or a production of some type—is similar for sports stadiums and performance venues. Customers identify service providers by their core services and they make most purchasing decisions based on these core services.³ In the case of the performance center, the most important core service, the one that will attract ticket sales, is booking great artists. The theatre may, however, provide many other services that become part of the customers' experience (e.g., online ticket purchasing, food and drink at the event, restrooms, valet parking).

Along the same lines, professional sporting events and teams sign great "artists," in this case, popular and talented athletes. The event planners then surround these box office winners with supplementary services that are secondary to the core services but represent opportunities for value creation.⁴ One danger in this framework is that firms might pursue supplementary services to the detriment of their core business.⁵ In an effort to understand the balance between core and supplementary services, researchers have presented several theoretical models. Two of the most common are the molecular model, which places core services in the center and draws connecting lines to potential supplementary services,⁶ and a flower model which places core services in the middle and surrounds them with supplementary "petals."⁷ One potential danger of this framework is that firms might pursue supplementary services to the detriment of their core business.

Professional sporting events in the United States comprise numerous core and supplementary services, most closely described by the flower model. Sports enthusiasts and casual fans alike attend events for an emotional and memorable experience, which includes the athletic contest along with the opportunity to spend time with friends and to purchase merchandise and food. Supplementary services can be a critical part of the experience, including parking accommodations, shuttles to the main gate if parking is far from the entrance, and return services when the event is over. While these services are not core to the event, they

represent important opportunities to satisfy customers and create loyal repeat customers.

Both performing arts centers and professional sports venues have a goal of cementing customer loyalty in the form of future ticket sales. In this report we gauge the effect of core and supplementary services on this measure of customer satisfaction and loyalty, that is, customer ticket renewal. Although not all repeat customers are loyal customers and not all loyal customers are profitable customers,⁸ customer loyalty has been used as a measure of firm success.⁹

The U.S. Professional Sports Industry

In the United States, the professional sports industry is made up of two closely related organization types: team sports leagues and individual sports associations. The primary sports league franchises include the National Football League (NFL), Major League Baseball (MLB), the National Basketball Association (NBA), and the National Hockey League (NHL). Well known associations governing individual sports include the PGA Tour and United States Golf Association (USGA), United States Tennis Association (USTA), and National Association of Stock Car Auto Racers (NASCAR). Amateur sports associations and conferences represent yet another immense service industry, which we note but do not examine here.

Sports franchises brought in \$24.2 billion in 2013,¹⁰ with the greatest percentages of that amount going to the NFL (39%) and MLB (29%). Individual sports and racing generated \$13.3 billion in revenue.¹¹ Successful professional athletes can be extremely wealthy, averaging \$2 million in annual income, with a range from around \$400,000 (depending on the sport) to the wealthiest, Tiger Woods, who made more than \$100 million annually in his prime (including celebrity endorsements).

Research Questions

In this study we test which aspects of the service encounter influenced fans' desire to purchase the next season's tickets at the first available opportunity. We believe the answer lies in the way they respond to the core and supplementary services for this sport. We test this notion by asking the following three research questions:

³ Christopher Lovelock and Jochen Wirtz, *Services Marketing: People, Technology, Strategy* (Upper Saddle River, NJ: Pearson Prentice Hall, 2007). Chapter three is a good introduction to core and supplementary services.

⁴ For a discussion of how to monetize supplementary services, see: James C. Anderson, and James A Narus, "Capturing the Value of Supplementary Services," *Harvard Business Review*, Vol. 73, No. 1 (1995), pp. 75-83.

⁵ Andy Neely, "Exploring the Financial Consequences of the Servitization of Manufacturing," *Operations Management Research*, Vol. 1, No. 2 (2008), pp. 103-118.

⁶ G. Lynn Shostack, "Breaking Free from Product Marketing," *Journal of Marketing*, Vol. 41, No. 2 (1977), pp. 73-80.

⁷ Christopher Lovelock, "Competing on Service: Technology and Teamwork in Supplementary Services," *Strategy & Leadership*, Vol. 23, No. 4 (1995), pp. 32-47.

⁸ Werner Reinartz and V. Kumar, "The Mismanagement of Customer Loyalty," *Harvard Business Review*, Vol. 80, No. 7 (2002), pp. 86-94.

⁹ Frederick F. Reichheld, "The One Number You Need to Grow," *Harvard Business Review*, Vol. 81, No. 12 (2003), pp. 46-55. See also: Frederick F. Reichheld, "Loyalty-Based Management," *Harvard Business Review*, Vol. 71, No. 2 (1993), pp. 64-73.

¹⁰ <http://clients1.ibisworld.com/reports/us/industry/ata glance.aspx?entid=1628>.

¹¹ <http://clients1.ibisworld.com/reports/us/industry/current performance.aspx?entid=1629>.

EXHIBIT 1

Mean scores for individual services

Variable	Mean
Likelihood of renewing tickets	8.45
Ticket purchasing*	9.14
Parking to gate	7.86
Entrance gate.	8.36
Pre-event: ceremonies, national anthem, and athlete introductions	8.59
Seat comfort and cleanliness	7.89
The event itself	8.69
Food and beverage	7.26
Merchandise concessions	8.02
Restroom Facilities	7.64
From seat to parking lot	7.56
Exiting parking lot	6.96

Note: Values range from 1 (completely dissatisfied) to 10 (completely satisfied). After initial analysis we removed ticket purchasing because it is unclear how and when customers purchased tickets. They could have purchased tickets directly from the venue before or at the event, or from third party vendors, in which case the event host would have little to do with the interaction.

- (1) What is the relationship between core and supplementary services and customer repeat purchase decisions?;
- (2) Does this relationship change for loyal customers?; and
- (3) How do new customers respond to core and supplementary service offerings?

Data Collection

Professional sporting events present an ideal context for studying core and supplementary services because, as we indicated above, the actual event, game, contest, or race is only one part of a bundle of services that are provided before, during, and after the event. The experience begins long before game time, and even after the event is over, customers are still at the venue and will likely have several more service encounters before they actually leave. NFL fans, for example, must park their cars (and perhaps tailgate), be admitted through the entrance gate, stop at concessions, and get to their seats—all before the game starts. During the game, customers purchase food and merchandise, use the restroom facilities, and interact with event staff. It seems entirely possible that customers could experience a historic game, and then have their experience negatively colored because of something that happened in the parking lot while exiting. Or perhaps, after seeing an uneventful game, the customer might be wowed by a post-game fireworks show.

Our goal in this study is to explore the relationship between core and supplementary services and customers' repeat-purchase decisions. We do this by analyzing data collected from 7,091 customer surveys distributed at eight iterations of a particular professional sporting event in the United States in 2010.

We asked event patrons to answer two key questions: How likely are you to renew your tickets for next year?, and How satisfied were you with the following services? For the second question, we gave them a list of eleven services. Responses are recorded on a Likert scale anchored by 1 ("definitely not" or "completely dissatisfied") and 10 ("definitely" or "completely satisfied"). The mean scores for both questions are shown in Exhibit 1. The highest individually rated service was ticket purchasing (9.14), followed by the event itself (8.69). The lowest service rating was exiting the event to the parking lot (6.96).

In addition to the individual services that constitute the event, a number of factors could affect fans' repeat-purchase decisions, many of which are out of service providers' control. They include things like which team or athlete won, who performed well, the weather, and how exciting was the event, including dramatic comebacks, upsets, and the importance of the outcome on standings or upcoming playoffs.

For example, Tiger Woods is popular with golf fans and is consistently a favorite to win. A closely contested final round on a beautiful day between Tiger Woods and Rory McIlroy is likely to be highly rated. Conversely, a tournament won by a minor star on a cold and windy day with Tiger out of contention will not generate the same excitement and therefore likely result in fewer repeat purchases.

We also consider the demographic background of the survey respondents, which is shown in Exhibit 2. The typical fan for our dataset is a middle-aged, married man from a middle-class household. Because of the large sample size, we believe this sample to be representative of the population of fans of this sport, but perhaps not representative of other populations.

This particular sport has a remarkably loyal fan base (see Exhibit 3). Close to 45 percent of fans have been attending events for over 10 years, and the average fan has been following the sport for almost 23 years. The customers' favorable perception of this sport is demonstrated by the fact that 57 percent of respondents on our survey said that they "definitely will renew" their tickets at the first opportunity (Exhibit 4).

In this study we want to test which aspects of the service encounter influenced fans' overwhelming desire to purchase the next season's tickets at the first available opportunity. We believe the answer lies in the way they re-

EXHIBIT 2

Demographic characteristics of survey sample (N = 7,091)

Variable	n	Percentage	Variable	n	Percentage
How long have you been coming to events?			Occupation		
This was my first time	431	6.1	Employed Full-Time	5,180	73.1
2-3 years	738	10.4	Employed Part-Time	331	4.7
4-5 years	1,143	16.1	Homemaker	117	1.6
6-7 years	1,014	14.3	Unemployed	212	3.0
8-9 years	670	9.4	Student	32	.5
10+ years	3,095	43.6	Retired	1,219	17.2
Age			Income		
18-20	9	.1	Less than \$24,999	161	2.3
21-24	44	.6	\$25,000 - \$49,999	886	12.5
25-34	450	6.3	\$50,000 - \$74,999	1,358	19.2
35-44	1,419	20.0	\$75,000 - \$99,999	1,250	17.6
45-54	2,529	35.7	\$100,000 - \$124,999	944	13.3
55-64	1,952	27.5	\$125,000 - \$149,999	434	6.1
65+	688	9.7	\$150,000 +	643	9.1
			Missing	1,415	20.0
Marital Status			Gender		
Single (Never Married)	667	9.4	Female	2,175	30.7
Married	5,434	76.6	Male	4,916	69.3
Not married	990	14.0			

EXHIBIT 3

Customer longevity

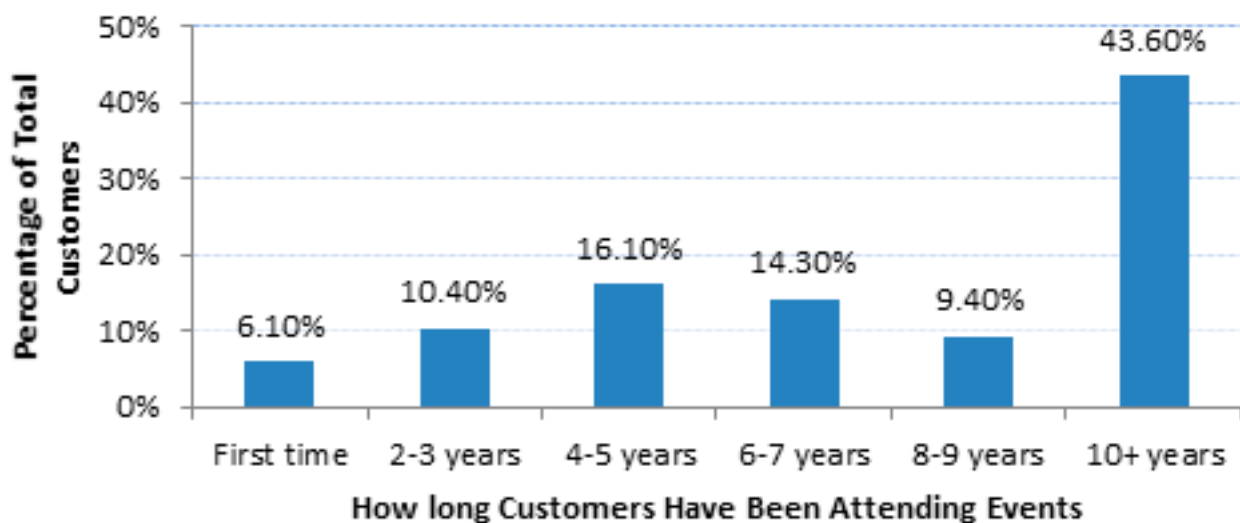


EXHIBIT 4

Likelihood of renewing tickets

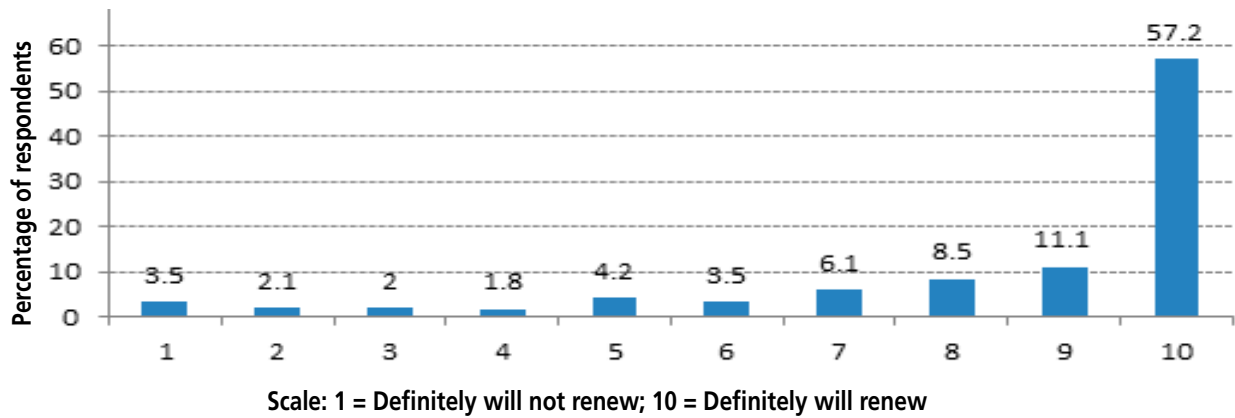


EXHIBIT 5

Principal components

Variable	Mean		
Factor		1 Core services	2 Supplementary services
Eigenvalue		4.32	1.27
Percent of variance explained		43.20%	12.70%
Merchandise concessions	7.92	.809	
Food and beverage	7.24	.764	
Pre-Event: ceremonies, national anthem, and athlete introductions	8.56	.704	
Restroom Facilities	7.52	.683	
The event itself	8.75	.637	
Seat comfort and cleanliness	7.80	.594	
From seat to parking lot	7.42		.873
Parking to gate	7.78		.856
Exiting parking lot	6.80		.792
Entrance gate.	8.33		.648

Note: Extraction method is principal component analysis; rotation method: promax with Kaiser normalization.

respond to the core and supplementary services for this sport. We test this notion by asking the following three research questions:

- (1) What is the relationship between core and supplementary services and customers' repeat purchase decisions?;
- (2) Does this relationship change for very satisfied (or conversely, very unsatisfied) customers?; and
- (3) How do new customers respond to core and supplementary service offerings?

Research Methods

Because the fans in this study experienced so many services, we use principal component analysis (PCA) to discover potential dimensions of these bundled service offerings. First, because we could not be certain when a customer purchased a ticket, we did not consider their satisfaction with the ticket sales process. We then used PCA to identify which of the remaining ten services respondents treated in a similar way, allowing us to group a set of these ten individual services into two main components or factors.

EXHIBIT 6

Correlation between services and ticket renewal

Variables	Mean	Correlation with dependent variable
Primary dependent variable: Ticket repeat purchase	8.44	N/A
Primary independent variable: Core services	8.05	.413**
Supplementary Services	7.81	.301**

EXHIBIT 7

Multiple regression models (dependent variable: ticket renewal)

Model number	All customers		Most loyal customers		First-time customers	
	1	2	3	4	5	6
<i>n</i>	4,984	4,985	2,237	2,237	256	256
Adjusted R ²	0.226	0.234	0.172	0.189#	0.213	0.221#
Beta coefficients for each model variable						
Core Services	0.67**	0.58**	0.55**	0.43**	0.83**	0.70**
Supplementary Services		0.13**		0.18**		0.18
How long have you been a fan?	0.00	0.00	0.01**	0.01**	0.01	0.01
How long have you been coming?	0.30**	0.30**				
Gender	-0.03	-0.04	-0.16	-0.18	0.13	0.01
Age	0.05	0.06	0.09**	0.09**	-0.23	-0.19
Income	-0.03	-0.03	0.01**	0.01**	-0.14	-0.14

Notes: Models 1-2 relate to RQ#1 using all relevant data. Models 3-4 relate to RQ#2 keeping only the most loyal customers (attending more than ten years). Models 5-6 relate to RQ#3 keeping only first time customers. ** Significant at the .05 level; # = Change in adjusted R² not significant. Meaning that adding supplementary services did not help the predictive power of the model. We also included eight dummy variables (not shown) for each of the events where we collected data.

These factors can be described as core event services (those going on during the time of the event) and supplementary services (those occurring before and after the event). The “core service” factor included the event itself, the ceremonies and introductions immediately before the contest started, concessions, seat comfort, F&B quality, and restroom facilities (Exhibit 5). The “supplementary service” factor included the experience at the entrance gate and various aspects relating to getting to and from the parking lot.

To validate this result, we perform a reliability analysis to test whether these components tend to measure the same thing. The resulting Cronbach’s alpha scores of .788 for core services and .803 for supplementary services are sufficient to conclude that the six items relating to the event itself can be combined into one variable called core event services, and the four pre- and post-event items can be combined into another variable called supplementary event services. These two factors are the basis of our remaining analysis, but we must point out an important limitation of these new

variables. They assume equal weight on each of the items that construct the factor, even though we know this is an oversimplification. The experience with the event itself will certainly influence a customer’s attitude more heavily than their experience in the restroom, for instance. Because so many parts of the experience cannot be controlled, we think that giving equal attention to the things that are within control is appropriate. We see from the simple correlation table in Exhibit 6 that core services are more strongly correlated with repeat ticket purchase than supplementary services. This is not surprising but it does not tell us the whole story, as there is likely an overlap between these primary predictor variables.

Core and Supplementary Services as Predictors of Repeat Ticket Purchase

In the next phase of our research, we used the factors that we found above in a series of regression models trying to better understand the relationship of the core and supplementary

factors to ticket renewal. In all of the regression models we control for effects that could be caused by demographic characteristics or the particular circumstances of an event. We dummy coded the eight events allowing us to control the event-specific variation and isolate the effect of satisfaction with core and supplementary services on repeat-purchase intent separate and apart from any event and demographic specific influences.

In our first two models we considered all of our respondents ($N = 7,091$). Model 1 includes all control variables and the core service factor score as a predictor. In Model 2, we add the supplementary service factor in order to measure the change in the predictive power of the model, as shown in Exhibit 7.

What we found is that the core services model (with control variables) explains 23 percent of the variance in the ticket renewal value (adjusted R-squared value of 0.23). Moreover, the core services predictor has a beta coefficient of 0.67, which suggests that if an event planner could improve service sufficiently to get a one-unit increase in the core service score (on our ten-point scale), then she could expect a .67-unit increase in ticket renewals (holding all other variables constant).

Supplementary services for this sport do have an effect on repeat ticket sales, as shown in model two. After adding the supplementary services factor to the model, we note an increase in predictive power (adjusted R^2 goes from 0.226 to 0.234). This means that model two is a slightly better model (about 1% better). Although the coefficient score of supplementary services is significant, which means they are an important predictor of ticket renewal, a one-unit increase in supplementary services satisfaction would only translate to a 0.13-unit increase in repeated ticket purchases. Thus, core services have four times the impact of supplementary services on ticket renewal.

The only demographic control variable that is significant when considering the specific impact it has on ticket renewal is “how long have you been coming (to events).” Long-time fans’ plans to renew their tickets makes sense, as we would anticipate customers who have been coming for a long time would plan to continue coming. That said, we again note that satisfaction with core services has a much greater impact (.67) on ticket renewal than a fan’s history of coming to events (.30). Despite the importance of loyalty, it remains important that customers have memorable experiences every time they come.

Loyal Customers

In models 3 and 4 we test the impact of core and supplementary services on ticket renewal on the most loyal fans, who constitute 44 percent of the patrons in this study. We define these most loyal fans as those that have been coming

to events for more than ten years. By segmenting fans in this way, we can measure the impact of core and supplementary services on repeat purchasing behavior among this key customer segment.

Here we see again that both core and supplementary services are significant predictors of repeat ticket purchase. When supplementary services were added to the model (model 4) the predictive power of the model increased by 1.7 percent. It appears from these data that among the most loyal customers both core and supplementary services are important aspects of the event. This could be because these loyal customers have specific expectations based on their experience of how the event unfolds. They likely have stronger expectations relating to all of the service provided as they have experienced each of them multiple times over several years. Finally, it appears that the impact of supplementary services is greater relative to core services among loyal customers than the set of all customers (for loyal customers supplementary services (model 4) the increase is .18, but it’s 4.3 for core services, whereas in model 2 supplementary services score .13 and core services, 5.8).

First-time Customers

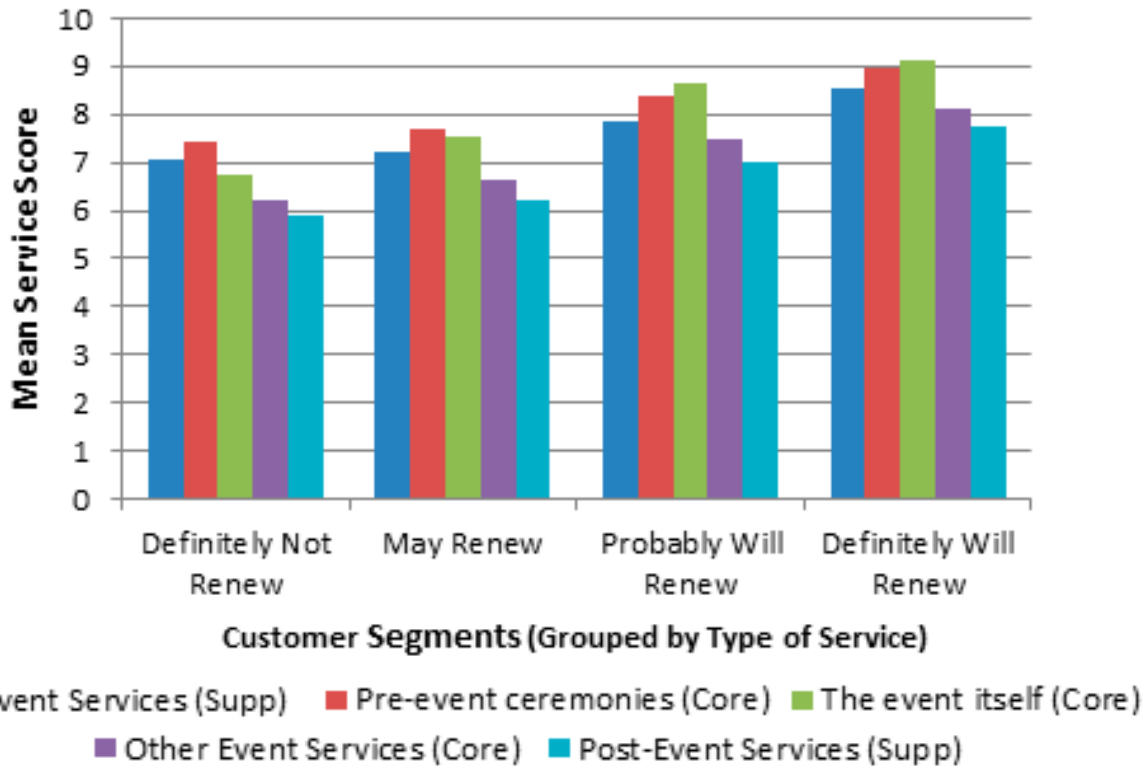
Now that we have established that core and supplementary services affect loyal customers’ satisfaction, let’s look at new customers, who made up 6 percent of total customers in our dataset ($n = 256$). Running the same regression analysis one final time, we see that core services are critical to new customers, but the supplementary services variable is not a significant predictor of ticket renewal for this group (models 5 and 6 in Exhibit 7).

Unlike loyal customers, it appears that new customers are concerned primarily with core services, almost to the exclusion of the supplementary services. Perhaps first-time customers have fewer expectations about the way an event should run and get caught up in the excitement of the event itself, while paying less attention to supplementary services. Returning customers, on the other hand, have memories of and therefore expectations about supplementary services. This finding highlights the importance of supplementary services to returning customers.

Managerial Implications

Although this particular sport has a hugely loyal fan base, the implications of this study remain important for firms focusing on their customers’ full experience. Firms must begin with their core services and then augment them appropriately with supplementary services. Given this study’s demonstration of the impact of core and supplementary services on repeat ticket purchases for this sport, we offer the following managerial insights.

Mean service scores by customer segment and type of service



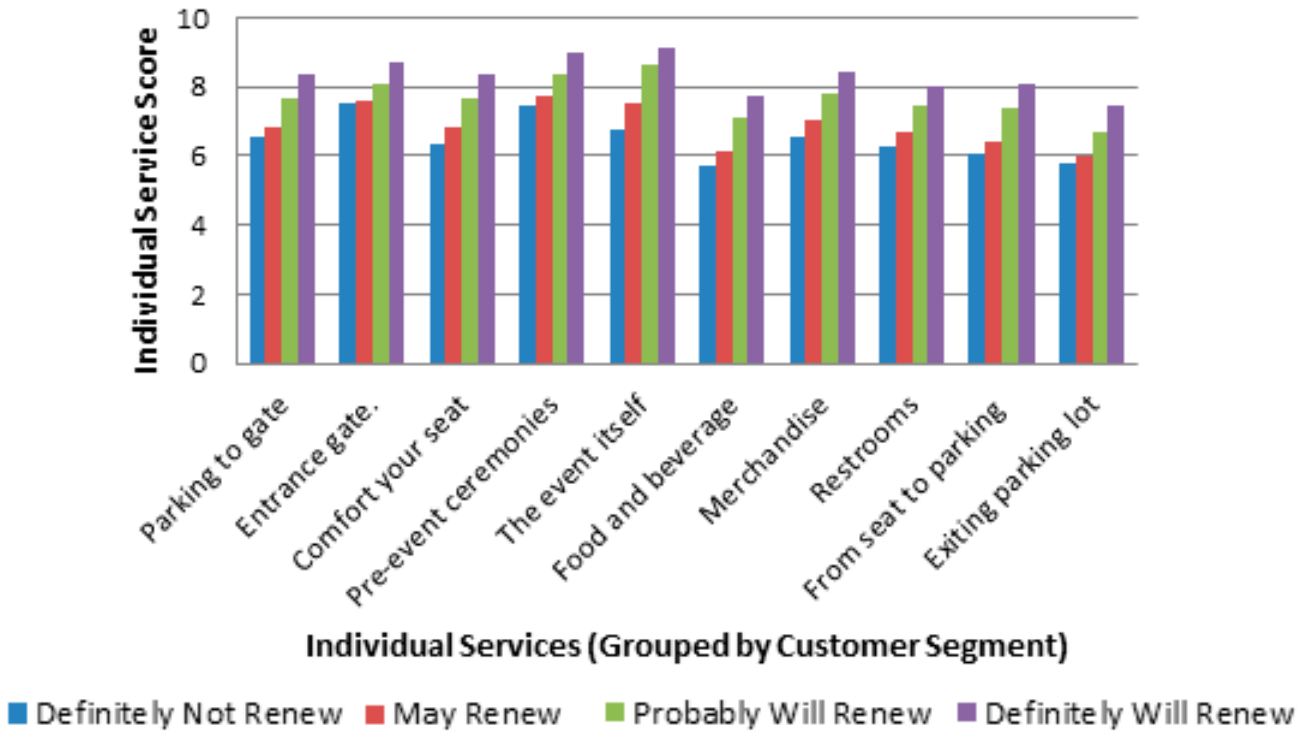
(1) Start with and focus on core services.

Core services represent the driver of business success and the basis for many customer decisions. In this study we demonstrate that core services remain the most important element in predicting repeat customers. Looking closely at when events happen (Exhibit 8), we notice some interesting trends. When fans arrive they are excited and happy with their experience (pre-event services). As the event progresses into pre-event services (i.e., opening ceremonies) they get even more excited. The beginning of the actual event seems to be the decision point for both happy and unhappy customers. Those that chose to renew their tickets rated the actual event relatively higher than the service elements that precede the event, while those that chose not to renew their tickets rated the actual event lower than the services before the event. This core service (the event itself) had a critical impact on the ticket renewal decision, as it seemed to mark a turning point for customers. This demonstrates the importance of services firms focusing on their core services above all else. Ironically, in this particular instance, management cannot control the event outcome, but that is not the case with most service operations.

(2) All core and supplemental services can contribute to customer satisfaction.

In this study we measured the impact of ten individual core and supplementary services on customer ticket renewal. As we have outlined, core services were the most influential in predicting whether a customer would renew tickets, but supplementary services also had an impact. Exhibit 9, which shows the variation of mean satisfaction scores across individual services and customer segments, is interesting because it shows that every service contributed to ticket renewal decisions in the customer’s mind. This is evident because customers who had decided not to renew their tickets scored individual services lower in every case than customers who were going to renew their tickets. The fact that this is the case for all individual services is surprising. Customers who repeat their purchase are happy with everything, and customers who do not renew seem to be unhappy with everything. We expected to see some services that customers in the two groups seemed indifferent about and scored evenly. This suggests that are all important in that they all contribute to the repeat purchase decision (although not equally).

Customer segment ticket renewal responses for individual services



(3) The most loyal customers are probably coming for core services.

Looking at this sport’s remarkably loyal fans, we again note that over 57 percent of our respondents said that they would definitely renew their tickets, and 44 percent have been coming to events for more than ten years. When we analyzed the most loyal customers we noticed that those long-time customers valued both core and supplementary services. The loyal customers may have an expectation for supplementary services because of their long history of attendance.

(4) When core services fail, turn to supplementary services for service recovery opportunities.

This is an important insight for event planners in professional sports, because the success of an event (core service) can be greatly influenced by things that are completely out of the planner’s control (e.g., weather, drama of the game, athlete performance). Even the best athletes and teams have off days. Knowing this, event planners can offset the risk of not being able to control many elements of their core service by carefully choreographing the services they can control. This is when supplementary services can make a major impact. Event planners should use supplementary services strategi-

cally to recover customers after a failure in core services. We did not examine the specifics in this study, but other research suggests that they could do this by having “surprises” (like fireworks shows, or unanticipated promotions) that will delight and recover customers after failures in core services.

(5) New customers are interested in core services.

Finally, make sure that first-time customers have as good an experience as possible with the core service. We grant that sometimes this can be challenging in the context of professional sports. Marketing campaigns usually highlight core services, but when customers arrive they often are bombarded with upselling attempts of additional supplementary services. Although this makes sense from a revenue standpoint, it is not always well received by guests who are testing the waters in a new venue. When analyzing only first time customers, we discovered that they are mainly concerned with core services. Service firms must recognize this and deliver superior core service value to first time customers and not overwhelm them with supplementary services that they likely will not value. ■

Cornell Center for Hospitality Research Publication Index

chr.cornell.edu

2014 Reports

Vol. 14 No. 22 Managing Context to Improve Cruise Line Service Relationships, by Judi Brownell, Ph.D.

Vol. 14 No. 21 Relative Risk Premium: A New “Canary” for Hotel Mortgage Market Distress, by Jan A. deRoos, Ph.D., Crocker H. Liu, Ph.D., and Andrey D. Ukhov, Ph.D.

Vol. 14 No. 20 Cyborg Service: The Unexpected Effect of Technology in the Employee-Guest Exchange, by Michael Giebelhausen, Ph.D.

Vol. 14 No. 19 Ready and Willing: Restaurant Customers’ View of Payment Technology, by Sheryl E. Kimes, Ph.D., and Joel Collier, Ph.D.

Vol. 14 No. 18 Using Eye Tracking to Obtain a Deeper Understanding of What Drives Hotel Choice, by Breffni A. Noone, Ph.D., and Stephani K. Robson, Ph.D.

Vol. 14 No. 17 Show Me What You See, Tell Me What You Think: Using Eye Tracking for Hospitality Research, by Stephani K. Robson, Ph.D., and Breffni A. Noone, Ph.D.

Vol. 14 No. 16 Calculating Damage Awards in Hotel Management Agreement Terminations, by Jan A. deRoos, Ph.D., and Scott D. Berman

Vol. 14 No. 15 The Impact of LEED Certification on Hotel Performance, by Matthew C. Walsman, Rohit Verma, Ph.D., and Suresh Muthulingam, Ph.D.

Vol. 14 No. 14 Strategies for Successfully Managing Brand-Hotel Relationships, by Chekitan S. Dev, Ph.D.

Vol. 14 No. 13 The Future of Tradeshows: Evolving Trends, Preferences, and Priorities, by HyunJeong “Spring” Han, Ph.D., and Rohit Verma, Ph.D.

Vol. 14 No. 12 Customer-facing Payment Technology in the U.S. Restaurant Industry, by Sheryl E. Kimes, Ph.D.

Vol. 14 No. 11 Hotel Sustainability Benchmarking, by Howard G. Chong, Ph.D., and Eric E. Ricaurte

Vol. 14 No. 10 Root Causes of Hotel Opening Delays in Greater China, by Gert Noordzy and Richard Whitfield, Ph.D.

Vol. 14 No. 9 Arbitration: A Positive Employment Tool and Potential Antidote to Class Actions, Gregg Gilman, J.D., and Dave Sherwyn, J.D.

Vol. 14 No. 8 Environmental Management Certification (ISO 14001): Effects on Hotel Guest Reviews, by María-del-Val Segarra-Oña, Ph.D., Angel Peiró-Signes, Ph.D., Rohit Verma, Ph.D., José Mondéjar-Jiménez, Ph.D., and Manuel Vargas-Vargas, Ph.D.

Vol. 14 No. 7 Exploring the Relationship between Eco-certifications and Resource Efficiency in U.S. Hotels, by Jie J. Zhang, D.B.A., Nitin Joglekar, Ph.D., Rohit Verma, Ph.D., and Janelle Heineke, Ph.D.

Vol. 14 No. 6 Consumer Thinking in Decision-Making: Applying a Cognitive Framework to Trip Planning, by Kimberly M. Williams, Ph.D.

Vol. 14 No. 5 Developing High-level Leaders in Hospitality: Advice for Retaining Female Talent, by Kate Walsh, Susan S. Fleming, and Cathy C. Enz

Vol. 14 No. 4 Female Executives in Hospitality: Reflections on Career Journeys and Reaching the Top, by Kate Walsh, Susan S. Fleming, and Cathy C. Enz

Vol. 14 No. 3 Compendium 2014

Vol. 14 No. 2 Using Economic Value Added (EVA) as a Barometer of Hotel Investment Performance, by Matthew J. Clayton, Ph.D., and Crocker H. Liu, Ph.D.

Vol. 14 No. 1 Assessing the Benefits of Reward Programs: A Recommended Approach and Case Study from the Lodging Industry, by Clay M. Voorhees, Ph.D., Michael McCall, Ph.D., and Bill Carroll, Ph.D.

2013 Reports

Vol. 13 No. 11 Can You Hear Me Now?: Earnings Surprises and Investor Distraction in the Hospitality Industry, by Pamela C. Moulton, Ph.D.

Vol. 13 No. 10 Hotel Sustainability: Financial Analysis Shines a Cautious Green Light, by Howard G. Chong, Ph.D., and Rohit Verma, Ph.D.

Vol. 13 No. 9 Hotel Daily Deals: Insights from Asian Consumers, by Sheryl E. Kimes, Ph.D., and Chekitan S. Dev, Ph.D.

Vol. 13 No. 8 Tips Predict Restaurant Sales, by Michael Lynn, Ph.D., and Andrey Ukhov, Ph.D.

Vol. 13 No. 7 Social Media Use in the Restaurant Industry: A Work in Progress, by Abigail Needles and Gary M. Thompson, Ph.D.

Cornell University
School of Hotel Administration
The Center for Hospitality Research
537 Statler Hall
Ithaca, NY 14853

607.255.9780
shachr@cornell.edu

www.chr.cornell.edu